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CLIENT/MATTER NUMBER
024020-0105

March 16, 2001

VIA FACSIMILE


Steven J. Junior
State of Wisconsin
Office of the Commissioner of Insurance
121 East Wilson Street
Madison, WI 53707-7873

Re: Blue Cross Conversion

Dear Mr. Junior:

Tom Rose requested I fax to you the attached BCBSA Board Approval of the Wisconsin Licensure Resolution.

Sincerely,


Sue Bond, Secretary to
Thomas Rose

Attachment

cc: Stephen E. Bablitch
Joseph C. Branch



ASSOCIATION

MEMBER BLUE CROSS
and Blue Shield Plans

225 North Michigan Avenue
Chicago, Illinois 60601-7680
Telephone 312.297.6000
<http://www.bluecare.com>

Via Fax and Federal Express

March 16, 2001

Stephen E. Bablitch
Vice President and General Counsel
Blue Cross & Blue Shield United of Wisconsin
401 West Michigan Street
Milwaukee, Wisconsin 53203

Dear Stephen:

I am pleased to inform you that on March 15, 2001, the BCBSA Board of Directors and Member Plans approved the attached Wisconsin Licensure resolution (see Exhibit A). Subject to satisfaction of all the terms of the attached resolution and providing BCBSA with final, acceptable documentation as outlined in my letter to Michelle Webb dated March 12, 2001, BCBSA will be prepared to:

1. Execute Blue Cross and Blue Shield primary license agreements and License Addendum for Cobalt Corporation in the service area that BCBSA currently authorizes Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") to use the Names and Marks;
2. Execute Blue Cross and Blue Shield Controlled Affiliate License Agreements, subject to the larger affiliate standards, for BCBSUW in the service area that BCBSA currently authorizes BCBSUW to use the Names and Marks;
3. Execute Blue Cross and Blue Shield Controlled Affiliate License Agreements, subject to the larger affiliate standards, for Compcare Health Services Insurance Corporation in the service area that BCBSA currently authorizes BCBSUW to use the Names and Marks; and
4. Execute Blue Cross and Blue Shield Controlled Affiliate License Agreements, subject to the government non-risk standards, for United Government Services, LLC in the service area that BCBSA currently authorizes BCBSUW to use the Names and Marks.



Official Health Insurance
Supplier of the 2000
U.S. Olympic Team


RECEIVED TIME MAR. 16. 10:09AM

PRINT TIME MAR. 16. 10:17AM

Mr. Stephen E. Bablitch
Page 2

Thank you for your continued cooperation. If you have any questions, please do not hesitate to call me at 312.297.5643 or e-mail at bob.leahey@bcbsa.com.

Sincerely,



Robert A. Leahey
Brand Protection and Financial Services

Attachment

cc: Joe Branch, Esq., Foley & Lardner

Wisconsin Licensure Resolution

**Action
Requested by
the Plan
Performance &
Financial
Standards
Committee**

BCBSA Board and Member Plans:

Approve the amended Wisconsin licensure resolution waiving the automatic termination provisions in Paragraph 9(D) of the License Agreement as to the Foundation only, subject to the conditions included in the amended resolution.

BCBSA Board:

Subject to compliance with the amended Wisconsin licensure resolution, completion of the transaction and providing BCBSA with final, acceptable documentation:

1. Transfer BSBSUW's primary licenses and issue a new license addendum to Cobalt Corporation for the same service area that BCBSA currently authorizes BCBSUW to use the Marks;
2. Grant larger affiliate licenses to BCBSUW for the same service area that BCBSA currently authorizes it to use the Marks; and
3. Transfer the sponsorship of BCBSUW, Compcare Health Services Insurance Corporation and United Government Services, LLC.

Summary

At its September 1999 meeting, the BCBSA Board of Directors and Member Plans first approved a resolution related to Blue Cross & Blue Shield United of Wisconsin's ("BCBSUW") contemplated restructuring. In March 2000, BCBSUW's amended plan of conversion was approved by the Wisconsin Insurance Commissioner, subject to certain conditions. In June 2000, the BCBSA Board of Directors and Member Plans approved an amended resolution related to BCBSUW's latest contemplated restructuring, subject to compliance with the amended Wisconsin licensure resolution, completion of the contemplated transaction and providing BCBSA with final, acceptable documentation. At its November 2000 meeting, the BCBSA Board of Directors and Member Plans extended the amended resolution until March 2001 since the transaction is still contemplated but not completed.

BCBSUW has now revised its plan of conversion and combination with United Wisconsin Services, Inc. ("UWSI"; an existing affiliate and publicly-traded company of BCBSUW) necessitating further amendments to the licensure resolution. Also, because of the delay in consummating the transaction, the resolution reflects a new sunset at the June 2001 Board Meeting. BCBSUW's latest proposed plan of conversion and combination with UWSI has been approved by BCBSUW and UWSI's Boards of Directors. The prior proposed transaction has been approved by Wisconsin Insurance Commissioner, subject to certain conditions in the Commissioner's order, but the revised transaction has not yet received formal approval. BCBSUW and UWSI expect to complete the revised transaction in March 2001, subject to the approval of:

- UWSI shareholders in a special meeting on February 23, 2001,
- Wisconsin Insurance Commissioner; and
- BCBSA.

BCBSUW's **revised** transaction reflects material changes from the prior contemplated transaction. The end result of both the original and now-revised proposals is the same insofar as the Foundation ends up owning approximately 75% of the publicly traded, holding company which is a primary licensee of BCBSA and which has several subsidiaries licensed as Controlled Affiliates. The Plan has indicated that the primary motivation for the revised structure was a desire to take advantage of certain tax loss carry forward benefits allowable under the new structure.

The revised proposed transaction, includes a series of **simultaneous** transactions, including:

1. A conversion of BCBSUW from an insurance service corporation into a stock corporation;
2. Wisconsin BC Holdings LLC, a Wisconsin Limited Liability Corporation ("BC Holdings") and wholly-owned subsidiary of Wisconsin United for Health Foundation, Inc. ("Foundation") will simultaneously:
 - (a) be issued all of the outstanding shares of BCBSUW;
 - (b) exchange all of its BCBSUW shares for 31,313,390 shares of newly issued common stock of UWSI and \$500,000 in cash; and
 - (c) dissolve and distribute all of its UWSI stock and cash to the Foundation.
3. Immediately after the proposed Transaction, the Foundation will own approximately 77.5% of the shares of the UWSI and preside over the liquidation of such stock over a five year period and the estimated public ownership of UWSI will be reduced to 22.5% from the current 53.4%;
4. UWSI will become the new primary licensee. BCBSUW and Compcare Health Services Insurance Corporation ("Compcare") will become wholly-owned subsidiaries of UWSI and larger controlled affiliate licensees; and
5. UWSI will change its legal name to Cobalt Corporation ("Cobalt") and begin trading under the ticker symbol "CBZ" on the New York Stock Exchange.

BCBSUW's revised financial projections based on the latest contemplated transaction indicates that Cobalt, BCBSUW and Compcare will be above BCBSA's minimum MCO-RBC% requirement but below BCBSA's PPRP monitoring thresholds, necessitating continued inclusion in PPRP monitoring at the Concern stage level for BCBSUW and Compcare and Cobalt being included in monitoring at the Concern stage.

As previously contemplated, the initial members of the Foundation's board of directors will be the individuals who are specifically identified in the Commissioner's Order.

Because the Foundation will initially hold more than 20% of the equity and 5% of the voting power of UWSI, a conditional waiver of the License Agreements' ownership limits is required. As in prior transactions, and the Wisconsin transaction as originally proposed, BCBSA has protected its interests by imposing specified

conditions for continued licensure (e.g., the Foundation selling down its stock over a defined period, the Foundation agreeing to a Voting Trust Agreement that binds it to vote its stock with the Plan Board, etc.).

The revised Wisconsin proposal introduces, for tax reasons, an intermediate step in the acquisition of the Plan's stock by the Foundation: BC Holdings. BC Holdings is itself owned by the Foundation and will simultaneously acquire stock in the Plan, transfer it to the Foundation and then dissolve itself. The amended approval resolution contains the following additional protections with respect to BC Holdings:

1. BC Holdings will sign as a party to the Voting Trust Agreement;
2. BC Holdings will obtain its BCBSUW and UWSI stock, transfer all such stock to the Foundation and dissolve itself all simultaneously on the closing date of the Transaction;
3. BC Holdings will not have any involvement in the nomination process for directors of Cobalt's Board of Directors; and
4. BC Holdings' Board being independent of any government authority or its agents, other than customary regulatory powers of the Office of the Commissioner of Insurance or other State Officials over similarly situated entities.

The Commissioner's order, among other things, requires that the public float following the Transaction, excluding the Foundation holdings in the merged entity, have a minimum aggregate market value of at least \$50 million. As of the date of the mailing, the public float of these shares totaled \$54.7 million. Failure to meet this condition, could jeopardize the closing of BCBSUW's proposed transaction.

If approved by the BCBSA Board and Member Plans, the amended licensure resolution and license addendum will only permit BCBSA to transfer BCBSUW's primary licenses to Cobalt, execute a new license addendum with Cobalt, relicense BCBSUW as a larger affiliate and transfer sponsorship of BCBSUW, Compcare and UGS if all of the following conditions are met:

1. **Completion of the contemplated transaction; and**
2. **BCBSUW receiving final regulatory approval from the Wisconsin Commissioner of Insurance; and**
3. **UWSI receiving shareholder approval; and**
4. **Full compliance with the amended licensure resolution, License Agreements and License Addendum;**
5. **BCBSA's receipt of final and acceptable documentation, and**
6. **Cobalt, BCBSUW and Compcare MCO-RBC % each being above BCBSA's minimum capital requirements at the closing of the proposed transaction.**

A red-lined version of the resolution, containing changes to accommodate the revised Wisconsin proposal is attached as Exhibit A. A clean copy of this resolution is attached as Exhibit B. The Committee recommends approval of the revised Wisconsin resolution.

16-Mar-01 11:19am

From-BCBSA

+3122975904

T-038

P.07/17 F-219

Tab 21, continued

Plan Impact

N/A

**Other
Committee
Involvement**

N/A

**Other
Considerations**

N/A

Vote Required

1. To approve the waiver of paragraph 9(D) in the License Agreement related to BCBSUW's proposed corporate reorganization: Majority of the Board Members present and voting and a majority of the weighted and unweighted vote of all disinterested Regular Member Plans.
2. To approve the license transfer of BCBSUW's primary licenses to Cobalt Corporation, grant larger affiliate licenses to BCBSUW and transfer of sponsorship of BCBSUW, Compcare and UGS to Cobalt: A majority of the Board Members present and voting.

Contact

Steven D. Putziger
Executive Director, Brand Protection and Financial Services
312.297.6391; steve.putziger@bcbsa.com

Mark A. Orloff
Vice President and Assistant Corporate Secretary
312.297.6025; mark.orloff@bcbsa.com

**Tab 21; Exhibit A
Page 1 of 5****WISCONSIN LICENSURE RESOLUTION**

WHEREAS, the Blue Cross and Blue Shield Association ("BCBSA") Plan Performance and Financial Standards Committee ("PPFSC") is charged by the BCBSA Board of Directors with making recommendations to such Board concerning the use of the BLUE CROSS® and BLUE SHIELD® Service Marks, including but not limited to the licensure of such Marks; and

WHEREAS, BCBSA has adopted certain provisions regarding ownership of the stock of any for-profit Members or licensees for the protection of the Marks and consistent with BCBSA's purposes; and

WHEREAS, Blue Cross and Blue Shield United of Wisconsin ("BCBSUW"), a Primary BLUE CROSS® and BLUE SHIELD® Licensee and Regular Member of BCBSA, has advised the PPFSC of a proposed corporate reorganization involving a series of related, simultaneous transactions (together, the "Transaction") as follows: (1) BCBSUW will convert from a not-for-profit service insurance corporation to a for-profit stock insurance company in accordance with Wisconsin law; (2) BCBSUW will form a Wisconsin business corporation named United Heartland Group ("UHG") which will own all of BCBSUW's issued and outstanding capital stock; (3) a new Wisconsin charitable organization ("Foundation") will be formed to own UHG stock equivalent to 100% of the equity value in BCBSUW at the time of conversion; (4) Wisconsin BC Holdings LLC, a Wisconsin Limited Liability Corporation ("BC Holdings") and wholly-owned subsidiary of Wisconsin United for Health Foundation, Inc. ("Foundation"), will be issued all of the outstanding shares of BCBSUW; UHG will merge into United Wisconsin Services, Inc. ("UWSI") with UWSI being the surviving entity; (5) BC Holdings the Foundation will simultaneously exchange all of its BCBSUW UHG shares at for 31,313,390 shares of newly issued common stock of United Wisconsin Services, Inc. ("UWSI") and \$500,000 in cash; an agreed-upon ratio for new shares of the UWSI merged entity; (4) BCBSUW will become a wholly owned subsidiary of UWSI; (5) BC Holdings simultaneously will be dissolved on the closing date of the Transaction and all of its UWSI stock and cash will be distributed to the Foundation. Immediately after the proposed Transaction, the Foundation will own approximately 77.5% to 80% (depending on the negotiated exchange ratio) of the outstanding shares of the UWSI merged entity and preside over the liquidation of such stock over a five year period; and (6) UWSI public shareholders will be issued new UWSI will hold shares of common stock that representing ownership in the merged entity. and The estimated public ownership of UWSI will be reduced to 22.5% approximately 30% to 40% (depending on the relative value of UWSI and BCBSUW at the time of conversion) from the current 53.84%; and (6) UWSI will change its legal name to Cobalt Corporation ("Cobalt") and begin trading under the ticker symbol "CBZ" on the New York Stock Exchange; and

**Tab 21; Exhibit A
Page 2 of 5**

WHEREAS, BCBSUW has provided to BCBSA a copy of a Plan of Conversion which was filed for review and approval by the Office of the Commissioner of Insurance for the State of Wisconsin and which details the elements comprising the Transaction; and

WHEREAS, BCBSUW has provided to BCBSA a copy of the Wisconsin Insurance Commissioner's Order approving, with conditions, BCBSUW's proposed conversion; and

WHEREAS, it is proposed that ~~CobaltUWSI~~ will apply to BCBSA for a Primary License to use the Blue Cross and Blue Shield Marks in the Service Area now served by BCBSUW and for admission as a Regular Member Plan of BCBSA; and

WHEREAS, BCBSA understands that the Foundation will own ~~60%~~ to 8077.5% of the ~~CobaltUWSI~~ Stock upon consummation of the Transaction; and

WHEREAS, BCBSUW will become a wholly-owned subsidiary of ~~CobaltUWSI~~ and desires to become a Controlled Affiliate Licensee of BCBSA and use the BLUE CROSS® and BLUE SHIELD® Service Marks; and

WHEREAS, Compcare Health Services Insurance Corporation ("Compcare") and United Government Services, Inc ("UGS"), are indirect subsidiaries of BCBSUW, and Controlled Affiliate Licensees of BCBSA, and Compcare and UGS desire to be Controlled Affiliate Licensees after the consummation of the Transaction so that they can use the BLUE CROSS® and BLUE SHIELD® Service Marks; and

~~WHEREAS, Heartland Dental Plan, Inc. ("Heartland") an indirect subsidiary of BCBSUW, has been approved for licensure as a Controlled Affiliate Licensee and contemplates becoming such a Controlled Affiliate Licensee of BCBSA after the consummation of the Transaction, and Heartland desires to be a Controlled Affiliate Licensee after the consummation of the Transaction so that it can use the BLUE CROSS® and BLUE SHIELD® Service Marks; and~~

WHEREAS, the License Agreements for which ~~CobaltUWSI~~ will apply contain a provision automatically terminating the Licensee if any person or entity acquires 5% or more of the voting power or 20% or more of the ownership of ~~CobaltUWSI~~ (except for "Institutional Investors" for whom the voting power limitation is 10%) unless a majority of the disinterested Plans and a majority of the weighted vote of such disinterested Plans waives such provision; and

**Tab 21; Exhibit A
Page 3 of 5**

WHEREAS, the guidelines for Membership Standard 1 of the License Agreement for which CobaltUWSI will apply require that Cobalt'sUWSI's Charter Documents include certain specified provisions;

NOW, THEREFORE, the BCBSA Board and Member Plans find and resolve that the following shall apply:

1. BCBSUW has represented that CobaltUWSI intends to complete its submission of sufficient evidence demonstrating to BCBSA that CobaltUWSI will be in compliance with all provisions of the BLUE CROSS® and BLUE SHIELD® License Agreements, other than the ownership concentration provisions; and

2. BCBSUW has represented that it and Compcare and UGS intend to submit sufficient evidence to demonstrate to BCBSA that they are in compliance with all provisions of the relevant BLUE CROSS® and BLUE SHIELD® Controlled Affiliate License Agreements; and

3. Provided that the Transaction is completed and subject to BCBSA's review and approval of the applicable final documents to be submitted, BCBSA and the Member Plans hereby waive the 5% and 20% automatic termination provisions as to the Foundation only and grant the aforementioned Licenses to CobaltUWSI, provided that, pursuant to Paragraph 9(d)(iii) of the License Agreements, the following conditions are fulfilled according to their terms to the satisfaction of the PPFSC:

A. CobaltUWSI fully complies with Membership Standard 1, including, but not limited to, the requirement that it incorporate in its Charter Documents the provisions identified in the Guidelines to such Standard and that its directors satisfy the qualifications in Guideline 1; and

B. The Foundation and BC Holdings will not have any involvement in the nomination process for directors of Cobalt'sUWSI's Board of Directors; and

C. The Foundation's and BC Holdings' Board will be independent of any government authority or its agents, other than customary regulatory powers of the Wisconsin OCI or other State Officials over similarly situated entities; and

D. By December 31, 2000 or ninety (90) days after the consummation of the Transaction, whichever is later, the Foundation holds less than 80% of the stock of CobaltUWSI and the Foundation reduces its ownership in CobaltUWSI to less than 50% within three years, and less than 20% within five years, of the consummation of the Transaction, provided further that the three year deadline and the five year deadline may be extended for up to one year and two years, respectively, if the Foundation is precluded from selling its stock due to

Tab 21; Exhibit A
Page 4 of 5

actions of CobaltUWSI that are permitted by agreements entered into between CobaltUWSI and the Foundation at the time of the consummation of the Transaction; and

E. Upon consummation of the Transaction, All voting power in excess of 5% of all voting power in Cobaltthe New Company held by the Foundation shall be subject to a voting trust or other arrangement acceptable to BCBSA; and

F. Prior to its receipt of any BCBSUW or UWSI stock, BC Holdings shall also make itself subject to a voting trust or other arrangement acceptable to BCBSA; and

G. Simultaneously with the consummation of the Transaction, BC Holdings shall: (1) acquire all stock it will own in BCBSUW, (2) exchange all of its BCBSUW stock for UWSI stock and transfer all of its UWSI stock to the Foundation; and (23) be dissolved and no longer exist as a separate legal entity; and

FH. After consummation of the Transaction (1) CobaltUWSI will cause BCBSUW, Compcare, and their subsidiaries to continue to conduct all business using the Blue Marks which was conducted prior to the Transaction, and (2) CobaltUWSI, BCBSUW and Compcare and their subsidiaries will do all licensable business in their Service Area using the Blue Marks, excluding: (A) Compcare's Medicaid business, (B) the businesses conducted by Unity Health Plans Insurance Corporation and Valley Health Plan, Inc., (C) United Heartland, Inc., (D) United Wisconsin Life Insurance Company and (E) any worker's compensation, life insurance, disability or reinsurance business conducted by United Wisconsin Insurance Company and United Heartland Life Insurance Company. Nothing within this Paragraph 3.FH is intended to amend, alter or modify the obligations of CobaltUWSI, BCBSUW and Compcare with respect to "Standard 10: Best Efforts" as set forth in the Membership Standards of the License Agreements or "Standard 6(G)" as set forth in the LicenseMembership Standards of the Controlled Affiliate License Agreements; and

GI. BCBSUW informs BCBSA that it has approved the resignation of its Primary License Agreements and Regular Membership in BCBSA; and

HJ. CobaltUWSI demonstrates its compliance with the Primary License Agreements and Membership Standards and executes a License Addendum acceptable to BCBSA, and BCBSUW, and Compcare and UGS demonstrate their compliance with Controlled Affiliate License Agreements and LicenseMembership Standards; and

**Tab 21; Exhibit A
Page 5 of 5**

IK No person or entity, other than the Foundation and BC Holdings (subject to the conditions noted in Paragraph 3.G), holds more of the voting power or ownership of CobaltUWSI than is allowed under the percentage limitations contained in Paragraph 9(d) of the Primary License Agreements, excluding any voting power consigned to a voting trust or other arrangement acceptable to BCBSA; and

4. Provided that the Transaction is completed and subject to BCBSA's review and approval of the applicable documents, BCBSA and the Member Plans shall grant the BLUE CROSS® and BLUE SHIELD® Controlled Affiliate Licenses to BCBSUW and Compcare effective immediately upon BCBSA's receipt of necessary documentation demonstrating compliance with such Licenses by BCBSA's General Counsel; and

5. This resolution shall become null and void in the event that: (1) all elements of the aforementioned Transaction, including but not limited to fulfillment of the conditions specified in Paragraph 3, are not completed by the currently scheduled ~~June~~ March 2001 meeting of the BCBSA Board of Directors; or (2) the BCBSA License Agreements, Standards and/or Guidelines relating to a Plan's organization as a for-profit company shall be materially changed and the BCBSA Board deems continuation of this Resolution to be inconsistent with such change. If all elements of the aforementioned Transaction, including but not limited to fulfillment of the conditions specified in Paragraph 3, are completed on or before the currently scheduled ~~June~~ March 2001 meeting of the BCBSA Board of Directors, failure to maintain compliance with all of the conditions specified in Paragraph 3 according to their terms or the License Addendum at any time thereafter shall result in automatic termination of the License Agreements unless waived again pursuant to Paragraph 9(d)(iii); and

6. BCBSUW shall provide, and the PPFSC shall review, quarterly updates on the progress of the Transaction; and

7. Nothing herein shall constitute a waiver of BCBSA's right to terminate at any time the aforementioned Licenses to CobaltUWSI, BCBSUW or Compcare pursuant to the License Agreements, including the provisions of Paragraph 9(d)(iii).

**Tab 21; Exhibit B
Page 1 of 5****WISCONSIN LICENSURE RESOLUTION**

WHEREAS, the Blue Cross and Blue Shield Association ("BCBSA") Plan Performance and Financial Standards Committee ("PPFSC") is charged by the BCBSA Board of Directors with making recommendations to such Board concerning the use of the BLUE CROSS® and BLUE SHIELD® Service Marks, including but not limited to the licensure of such Marks; and

WHEREAS, BCBSA has adopted certain provisions regarding ownership of the stock of any for-profit Members or licensees for the protection of the Marks and consistent with BCBSA's purposes; and

WHEREAS, Blue Cross & Blue Shield United of Wisconsin ("BCBSUW"), a Primary BLUE CROSS® and BLUE SHIELD® Licensee and Regular Member of BCBSA, has advised the PPFSC of a proposed corporate reorganization involving a series of related, simultaneous transactions (together, the "Transaction") as follows: (1) BCBSUW will convert from a not-for-profit service insurance corporation to a for-profit stock insurance corporation in accordance with Wisconsin law; (2) Wisconsin BC Holdings LLC, a Wisconsin Limited Liability Corporation ("BC Holdings") and wholly-owned subsidiary of Wisconsin United for Health Foundation, Inc. ("Foundation"), will be issued all of the outstanding shares of BCBSUW; (3) BC Holdings will simultaneously exchange all of its BCBSUW shares for 31,313,390 shares of newly issued common stock of United Wisconsin Services, Inc. ("UWSI") and \$500,000 in cash; (4) BCBSUW will become a wholly owned subsidiary of UWSI; (5) BC Holdings simultaneously will be dissolved on the closing date of the Transaction and all of its UWSI stock and cash will be distributed to the Foundation. Immediately after the proposed Transaction, the Foundation will own approximately 77.5% of the outstanding shares of UWSI and preside over the liquidation of such stock over a five year period; and the estimated public ownership of UWSI will be reduced to 22.5% from the current 53.4%; and (6) UWSI will change its legal name to Cobalt Corporation ("Cobalt") and begin trading under the ticker symbol "CBZ" on the New York Stock Exchange; and

Page 2 of 5

WHEREAS, BCBSUW has provided to BCBSA a copy of a Plan of Conversion which was filed for review and approval by the Office of the Commissioner of Insurance for the State of Wisconsin and which details the elements comprising the Transaction; and

WHEREAS, BCBSUW has provided to BCBSA a copy of the Wisconsin Insurance Commissioner's Order approving, with conditions, BCBSUW's proposed conversion; and

WHEREAS, it is proposed that Cobalt will apply to BCBSA for a Primary License to use the Blue Cross and Blue Shield Marks in the Service Area now served by BCBSUW and for admission as a Regular Member Plan of BCBSA; and

WHEREAS, BCBSA understands that the Foundation will own 77.5% of the Cobalt Stock upon consummation of the Transaction; and

WHEREAS, BCBSUW will become a wholly-owned subsidiary of Cobalt and desires to become a Controlled Affiliate Licensee of BCBSA and use the BLUE CROSS® and BLUE SHIELD® Service Marks; and

WHEREAS, Compcare Health Services Insurance Corporation ("Compcare") and United Government Services, Inc ("UGS") are indirect subsidiaries of BCBSUW, and Controlled Affiliate Licensees of BCBSA, and Compcare and UGS desire to be Controlled Affiliate Licensees after the consummation of the Transaction so that they can use the BLUE CROSS® and BLUE SHIELD® Service Marks; and

WHEREAS, the License Agreements for which Cobalt will apply contain a provision automatically terminating the Licensee if any person or entity acquires 5% or more of the voting power or 20% or more of the ownership of Cobalt (except for "Institutional Investors" for whom the voting power limitation is 10%) unless a majority of the disinterested Plans and a majority of the weighted vote of such disinterested Plans waives such provision; and

Page 3 of 5

WHEREAS, the guidelines for Membership Standard 1 of the License Agreement for which Cobalt will apply require that Cobalt's Charter Documents include certain specified provisions;

NOW, THEREFORE, the BCBSA Board and Member Plans find and resolve that the following shall apply:

1. BCBSUW has represented that Cobalt intends to complete its submission of sufficient evidence demonstrating to BCBSA that Cobalt will be in compliance with all provisions of the BLUE CROSS® and BLUE SHIELD® License Agreements, other than the ownership concentration provisions; and
2. BCBSUW has represented that it and Compcare and UGS intend to submit sufficient evidence to demonstrate to BCBSA that they are in compliance with all provisions of the relevant BLUE CROSS® and BLUE SHIELD® Controlled Affiliate License Agreements; and
3. Provided that the Transaction is completed and subject to BCBSA's review and approval of the applicable final documents to be submitted, BCBSA and the Member Plans hereby waive the 5% and 20% automatic termination provisions as to the Foundation only and grant the aforementioned Licenses to Cobalt, provided that, pursuant to Paragraph 9(d)(iii) of the License Agreements, the following conditions are fulfilled according to their terms to the satisfaction of the PPFSC:
 - A. Cobalt fully complies with Membership Standard 1, including, but not limited to, the requirement that it incorporate in its Charter Documents the provisions identified in the Guidelines to such Standard and that its directors satisfy the qualifications in Guideline 1; and
 - B. The Foundation and BC Holdings will not have any involvement in the nomination process for directors of Cobalt's Board of Directors; and
 - C. The Foundation and BC Holdings' Board will be independent of any government authority or its agents, other than customary regulatory powers of the Wisconsin OCI or other State Officials over similarly situated entities; and
 - D. By December 31, 2000 or ninety (90) days after the consummation of the Transaction, whichever is later, the Foundation holds less than 80% of the stock of Cobalt and the Foundation reduces its ownership in Cobalt to less than 50% within three years, and less than 20% within five years, of the consummation of the Transaction, provided further that the three year deadline and the five year deadline may be extended for up to one year and two years, respectively, if the Foundation is precluded from selling its stock due to

Page 4 of 5

actions of Cobalt that are permitted by agreements entered into between Cobalt and the Foundation at the time of the consummation of the Transaction; and

E. Upon consummation of the Transaction, all voting power in excess of 5% of all voting power in Cobalt held by the Foundation shall be subject to a voting trust or other arrangement acceptable to BCBSA; and F. Prior to its receipt of any BCBSUW or UWSI stock, BC Holdings shall also make itself subject to a voting trust or other arrangement acceptable to BCBSA; and

G. Simultaneously with the consummation of the Transaction, BC Holdings shall: (1) acquire all stock it will own in BCBSUW, (2) exchange all of its BCBSUW stock for UWSI stock and transfer all of its UWSI stock to the Foundation; and (3) be dissolved and no longer exist as a separate legal entity; and

H. After consummation of the Transaction (1) Cobalt will cause BCBSUW, Compcare, and their subsidiaries to continue to conduct all business using the Blue Marks which was conducted prior to the Transaction, and (2) Cobalt, BCBSUW and Compcare and their subsidiaries will do all licensable business in their Service Area using the Blue Marks, excluding: (A) Compcare's Medicaid business, (B) the businesses conducted by Unity Health Plans Insurance Corporation and Valley Health Plan, Inc., (C) United Heartland, Inc., (D) United Wisconsin Life Insurance Company and (E) any worker's compensation, life insurance, disability or reinsurance business conducted by United Wisconsin Insurance Company and United Heartland Life Insurance Company. Nothing within this Paragraph 3.H is intended to amend, alter or modify the obligations of Cobalt, BCBSUW and Compcare with respect to "Standard 10: Best Efforts" as set forth in the Membership Standards of the License Agreements or "Standard 6(G)" as set forth in the License Standards of the Controlled Affiliate License Agreements; and

I. BCBSUW informs BCBSA that it has approved the resignation of its Primary License Agreements and Regular Membership in BCBSA; and

J. Cobalt demonstrates its compliance with the Primary License Agreements and Membership Standards and executes a License Addendum acceptable to BCBSA, and BCBSUW, Compcare and UGS demonstrate their compliance with Controlled Affiliate License Agreements and License Standards; and

Page 5 of 5

K. No person or entity, other than the Foundation and BC Holdings (subject to the conditions noted in Paragraph 3.G), holds more of the voting power or ownership of Cobalt than is allowed under the percentage limitations contained in Paragraph 9(d) of the Primary License Agreements, excluding any voting power consigned to a voting trust or other arrangement acceptable to BCBSA; and

4. Provided that the Transaction is completed and subject to BCBSA's review and approval of the applicable documents, BCBSA and the Member Plans shall grant the BLUE CROSS® and BLUE SHIELD® Controlled Affiliate Licenses to BCBSUW and Compicare effective immediately upon BCBSA's receipt of necessary documentation demonstrating compliance with such Licenses by BCBSA's General Counsel; and

5. This resolution shall become null and void in the event that: (1) all elements of the aforementioned Transaction, including but not limited to fulfillment of the conditions specified in Paragraph 3, are not completed by the currently scheduled June 2001 meeting of the BCBSA Board of Directors; or (2) the BCBSA License Agreements, Standards and/or Guidelines relating to a Plan's organization as a for-profit company shall be materially changed and the BCBSA Board deems continuation of this Resolution to be inconsistent with such change. If all elements of the aforementioned Transaction, including but not limited to fulfillment of the conditions specified in Paragraph 3, are completed on or before the currently scheduled June 2001 meeting of the BCBSA Board of Directors, failure to maintain compliance with all of the conditions specified in Paragraph 3 according to their terms or the License Addendum at any time thereafter shall result in automatic termination of the License Agreements unless waived again pursuant to Paragraph 9(d)(iii); and

6. BCBSUW shall provide, and the PPFSC shall review, quarterly updates on the progress of the Transaction; and

7. Nothing herein shall constitute a waiver of BCBSA's right to terminate at any time the aforementioned Licenses to Cobalt, BCBSUW or Compicare pursuant to the License Agreements, including the provisions of Paragraph 9(d)(iii).